

**CITY OF SANTA CRUZ
FIVE YEAR PERMANENT LOCAL HOUSING ALLOCATION (PLHA) PLAN**

June 2020

Background Information.

In 2017, the State of California passed a 15-bill housing package to address the state’s housing shortage and high housing costs. This included the Building Homes and Jobs Act (SB 2, 2017), which established a \$75 recording fee on real estate documents. Seventy percent of these recording fees are being set aside for a Permanent Local Housing Allocation (PLHA) program. The PLHA program is overseen by the State’s Department of Housing and Community Development (HCD) who issued a Request for Proposals (RFP) in March 2020. Jurisdictions receiving PLHA grant funds are required to have a five year plan in place to determine how the grant funds will be spent. This five year plan may or may not need to identify specific projects. However, the Plan must result in expenditure of a portion of the grant funds each year in order to receive the next year’s allocation.

HCD estimates the City of Santa Cruz may receive \$1,588,464 over the next five years. For jurisdictions like the City who receive federal Community Development Block Grant (CDBG) funds directly from the federal Department of Housing and Urban Development (HUD), the actual annual amount allocated by HCD will be proportionally based on CDBG funding formulas. For this first year of funding, HCD has allocated \$264,744 to the City of Santa Cruz.

The chart below shows the first year funding allocation and estimates for years two through five. Note that the amounts for these subsequent years are estimates only based on an equal division of HCD’s estimate for future funds. The actual annual funding allocation will later be determined by HCD. The chart also shows a 5% allocation for City administration costs that is allowed by PLHA grant requirements.

CITY OF SANTA CRUZ PLHA FUNDING	Total 5 Yr. Allocation	Amount Allocated/Estimated by Funding Year				
		1. 2020-21	2. 2021-22	3. 2022-23	4. 2023-24	5. 2024-25
Allocation	\$1,588,464	\$264,744	\$330,930	\$330,930	\$330,930	\$330,930
5% Admin	\$79,423	\$13,237	\$16,547	\$16,547	\$16,547	\$16,547
95% Project Funding	\$1,509,041	\$251,507	\$314,384	\$314,384	\$314,384	\$314,384
		<i>Funding for Years 2-5 Estimated Only</i>				

The City of Santa Cruz proposes to place the PLHA funds in the City's Affordable Housing Trust Fund for the purpose of developing affordable housing in the City of Santa Cruz.

Affordable housing development projects require multiple sources of funding to compile enough funding to be developed. PLHA grant funds will be leveraged with several other funding sources including Federal and State Low Income Housing Tax Credit (LIHTC) financing. PLHA funding may be used to assist in completing the following activities.

- Predevelopment and other soft costs, including but not limited to:
 - Land Costs (including legal fees)
 - Demolition and Site Improvements
 - Off Site Improvements
 - Architectural Fees
 - Engineering Fees
 - Permits and Fees
 - Accounting Fees
 - Title/Recording
 - Taxes/Assessment
 - Insurance
 - Environmental Review including required studies.
- Financing costs including but not limited to
 - Appraisal/Market Study
 - Performance Bond Costs
 - Construction Loan Interest
 - Lender Inspections
 - Lender Legal Costs
 - Borrower Legal Costs
 - Soft Debt – Total Construction Period Interest
 - Bond Issuance Costs
 - Construction-Permanent Loan Costs
 - Construction Loan Interest
 - Capitalized Operation/Transition Reserve
- Site and Building Construction Costs
- Lease-Up Costs
- Contingencies and Developer Fee

There are several potential projects in the pipeline whose feasibility will be heavily dependent on securing financing to move forward. Of the projects that are likely to move forward first, the City is partnering with the Santa Cruz Metro Transit Authority to assemble parcels adjacent to its main downtown transit hub to develop a new and improved transit station that includes affordable housing. For this affordable housing rental development, the City will be targeting an average household income of 60% AMI and below.